

ORIGINAL

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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MAR 13 1996

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of	)	
	)	
Bell Operating Company	)	CC Docket No. 96-21
Provision of Out-of-Region	)	
Interstate, Interexchange Services	)	

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BELL ATLANTIC COMMENTS

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March 13, 1996

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## **Introduction and Summary**

The Commission correctly decided that Bell Atlantic and the other regional Bell companies are nondominant providers of out-of-region interLATA service. Bell Atlantic will operate as a new entrant in this business competing against established incumbents, all of which are already regulated as nondominant. By acting quickly to provide the same treatment to Bell Atlantic and other new entrants, the Commission will spur “efficient and rapid entry” of new competitors in the long distance market.

The resulting benefits to consumers could be subverted, however, if nondominance is made contingent on a burdensome and unwarranted separate subsidiary requirement. Such a requirement is inconsistent with the Telecommunications Act of 1996. Under the Act’s own language, the individual Bell Atlantic telephone companies<sup>1</sup> are authorized to provide this service themselves, and are expressly authorized to do so immediately without a separate affiliate.

Not only are the proposed restrictions inconsistent with the Act, but as Dr. Robert Crandall explains in his accompanying affidavit, they are without economic justification. The Commission has sufficient safeguards to prevent cost shifting to any long distance service. Where, as it is here, the service is geographically separated from the existing local exchange services, the separate subsidiary requirement is particularly inappropriate.

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<sup>1</sup> This filing is on behalf of Bell Atlantic Communications, Inc. and the Bell Atlantic telephone companies (“Bell Atlantic”), which are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

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**BELL ATLANTIC COMMENTS**

The Commission correctly decided that Bell Atlantic and the other regional Bell companies are nondominant providers of out-of-region interLATA service. By acting quickly, the Commission will spur "efficient and rapid entry"<sup>2</sup> of new competitors in the long distance market. By regulating those competitors as nondominant, the Commission will regulate the entrants under the same rules applied to the existing service providers. This will help assure that competition will be on a level playing field so that the market, and not the regulators, will decide the eventual winners. The real winners of such a decision are consumers, who will have more choices and lower prices as a result of competition.

These benefits are at risk, however, because the Commission has proposed making out-of-region nondominant status contingent on a burdensome separate subsidiary requirement. *Any* separate subsidiary requirement is inconsistent with the new Telecommunications Act, and the Commission's proposal includes burdens that are greater than even those required in the Act for

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<sup>2</sup> ***Bell Operating Company Provision of Out-of-Region Interstate, Interexchange Services, Notice of Proposed Rulemaking***, ¶ 7 (rel. Feb. 14, 1996) ("***NPRM***").

in-region long distance services. The end result from such a requirement would be to increase costs and undermine the very competition the Commission and the Act set out to encourage. Moreover, as explained in the accompanying affidavit of Dr. Robert Crandall, there simply is no sound economic basis for imposing a separate subsidiary requirement on out-of-region long distance services. As a result, the Commission should remove any separate subsidiary requirement for the provision of nondominant out-of-region long distance services.

#### **I. Bell Atlantic is Not a Dominant Provider of interLATA Services**

Bell Atlantic will be a new entrant in an established interLATA market and it is appropriate to regulate it as a nondominant service provider generally. This is particularly true, however, for services provided outside its in-region states, where Bell Atlantic historically has had a smaller market presence.

Today there are several carriers with a national presence that together serve close to 90% of the market.<sup>3</sup> AT&T, MCI and Sprint together spend around a half a billion dollars annually on advertising and brand name recognition.<sup>4</sup> All of these carriers are already considered nondominant and there is no basis to treat Bell Atlantic and other new entrants more restrictively.

In its decision to classify AT&T as a nondominant carrier, the Commission concluded that the national interLATA market had sufficient supply and demand elasticity to allow AT&T

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<sup>3</sup> *FCC, Statistics of Communications Common Carrier*, p. 348 (1994/95 ed.) (“*FCC Statistics*”). While market share is backward a backward looking measure, Bell Atlantic and the other new entrants also would have no market power using a more forward looking criteria such as addressability. *See, Price Cap Performance Review of Local Exchange Carriers*, CC Docket 94-1, Comments of Bell Atlantic at 16-21 (filed Dec. 11, 1995).

<sup>4</sup> According to *Advertising Age’s* “Top 100 Business Market Advertising Report”, AT&T, Sprint and MCI spent a combined \$433 million on media advertising alone in 1994.

to be considered a nondominant carrier.<sup>5</sup> Those conclusion must apply with no less force to Bell Atlantic's interLATA services.

Comparing AT&T's relative position in that market to that of the new market entrants only makes the nondominance case even more compelling. While AT&T has the largest market share in the industry with a majority of the nationwide customers,<sup>6</sup> Bell Atlantic's new interLATA services do not have a single customer out-of region. Even after the announced corporate restructure, the remaining AT&T telecommunications company will be larger than any of the regional Bell operating companies or other LEC competitors.<sup>7</sup>

There is simply no economically sound argument that Bell Atlantic and other regional operating companies entering the interLATA market will have the ability "to raise prices by restricting output."<sup>8</sup> If all existing interexchange carriers are nondominant, "surely the BOCs are also."<sup>9</sup>

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<sup>5</sup> ***Motion of AT&T Corp. to be Reclassified as a Non-Dominant Carrier***, FCC 95-427 at 57-66 (rel. Oct. 23, 1995) ("***AT&T Nondominance Order***").

<sup>6</sup> ***FCC Statistics*** at 348.

<sup>7</sup> AT&T's ***1995 Annual Report*** (p. 9) projects "the new AT&T" to have \$56 billion in assets at its inception.

<sup>8</sup> ***Policy and Rules Concerning Rates for Competitive Common Carrier Services and Facilities Authorizations Therefor, Fourth Report and Order***, 95 F.C.C.2d 554, 558 (1984) ("***Fourth Report and Order***") (quoting P. Areeda & D. Turner, *Antitrust Law* 322 (1978)).

<sup>9</sup> Affidavit of Robert W. Crandall, ¶ 5, attached hereto ("***Crandall Affidavit***").

## **II. A Separate Subsidiary Requirement is Inconsistent With the New Telecommunications Act**

Having correctly determined that Bell Atlantic and other regional Bell operating companies will be nondominant providers of out-of-region services, the proposed rules make that determination contingent on the establishment of a separate subsidiary. Such a requirement is inconsistent with the Telecommunications Act of 1996. Section 271 (b) (2) of the Act specifically allows a “Bell operating company, or any affiliate of that Bell operating company” to provide out-of-region interLATA services upon the date of enactment of the Act. Thus, the individual Bell Atlantic telephone companies are authorized by statute to provide this service themselves, not through a separate affiliate. This decision is reinforced by Section 272 (a)(2)(B), which specifically excludes out-of-region interLATA service from a separate affiliate requirement.

The rulemaking not only proposes to impose a burden rejected by Congress, but it goes further by proposing burdens on out-of-region services that are inconsistent with even those imposed on in-region services. For example, the statutory in-region separation requirement automatically sunsets after three years.<sup>10</sup> In contrast, the proposed rulemaking’s requirement for out-of-region is open ended.

The Commission’s proposed out-of-region requirement also forbids joint ownership of transmission and switching facilities. There is no similar limitation in the Act for in-region long distance services, nor should there be. To provide the best service at the lowest price, the Bell

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<sup>10</sup> *Telecommunications Act of 1996*, Pub. L. 104-104, 110 Stat. 56, § 272 (f) (1) (Feb. 8, 1996) (“*1996 Act*”).

operating companies should be encouraged to use the most economical combination of assets.

There is no economic basis to require costly artificial separation or duplication of facilities.

As a result of the current proposal, Bell Atlantic could be required to create two separate long distance affiliates, one for in-region, and one for out-of-region interLATA services. These additional burdens are inconsistent, not only with the specific provisions of the Act, but with its intent to reduce regulation and spur competition in the long distance market.

### **III. There Is No Need For A Separate Subsidiary Requirement**

Not only is the separate subsidiary requirement inconsistent with the legislation, it imposes an unreasonable constraint. Once the Commission determines, as it must, that Bell operating companies' out-of-region interLATA services lack market power, there is no economic justification to encumber these new entrants with extra regulatory burdens. As the Commission has recognized, excessive regulatory burdens "lessen competition and impose costs on consumers."<sup>11</sup> The Commission has also recognized that structural separation is particularly onerous and "can also decrease efficiency and affect the interexchange carrier's ability to compete."<sup>12</sup> As a result, the Commission has committed to regulating with the "minimum necessary degree of separation."<sup>13</sup> Here, none is required.

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<sup>11</sup> ***Policy and Rules Concerning Rates for Competitive Common Carrier Services and Facilities Authorizations Therefor, Fifth Report and Order***, 98 F.C.C.2d 1191; 1198 (1984).

<sup>12</sup> ***Id.*** at 1197.

<sup>13</sup> ***Id.***



While the Commission's twelve year old admonitions against unnecessary separation requirements are still applicable today, the same cannot be said for the Fifth Report and Order's market analysis relied on in the proposed rulemaking. In the 1984 order, the Commission adopted a separate subsidiary requirement to eliminate any possible concern about "cost shifting and anticompetitive conduct."<sup>14</sup> As Dr. Crandall explains, in the current situation, any possible concerns have been addressed in other ways for companies entering the interLATA market outside their LEC service territories.

First, because this decision only applies to out-of-region service, there is no chance of commingled accounts and cost shifting.<sup>15</sup> Even if such cost shifting were possible, the fact that the out-of-region facilities will be geographically separated from the in-region facilities makes detection a simple matter. Because the facilities will be geographically separated,<sup>16</sup> there is no reason to impose a secondary burden of structural separation.

Second, under modern regulation, the regional carriers have lost any ability and incentive to shift costs. In 1984, common carriers were governed by rate of return regulation. Through its perverse incentive structure, rate of return "encourages cost-shifting by carriers that participate in

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<sup>14</sup> *Id.* at 1198.

<sup>15</sup> Crandall Affidavit, ¶ 7.

<sup>16</sup> Indeed, for many companies, out-of-region interLATA services, at least initially, will be offered on a resale basis, with no physical plant owned by the company or its affiliates. The Commission has already found that "[t]here has not appeared to be much public need for regulating resellers. This makes the burdens imposed by our regulations appear especially onerous in the case of resellers." *Policy and Rules Concerning Rates for Competitive Common Carrier Services and Facilities Authorization Therefor, Second Report and Order*, 91 FCC 2d 59, 62 (1982).

both competitive and noncompetitive markets.”<sup>17</sup> As a result, the Commission required “elaborate regulatory oversight of all the carrier’s costs” as a safeguard.<sup>18</sup> In contrast, price cap regulation “can create profit incentives similar to those in fully competitive markets and generates positive motivations for . . . accurate cost allocation, while reducing regulatory burdens.”<sup>19</sup> Under the pure price caps that most LECs operate under, cost shifting has become meaningless because regulated prices are completely divorced from underlying costs.

Third, LECs will be facing a group of large and well financed competitors in the interLATA market. As economist Dr. Robert Crandall explains, “it would simply be unprofitable for the BOCs to engage in anticompetitive conduct in out-of-region long distance services.”<sup>20</sup> Predation makes no sense because “the BOCs would find that their ‘predatory’ prices would simply be matched by their rivals for as long as the BOCs maintained them.”<sup>21</sup> The notion that an individual Bell company could drive the much larger AT&T out of the long distance market is absurd.

There is also no chance that Bell Atlantic could create any advantage in the out-of-region market based on its status as a LEC connecting calls that are terminated in-region. As Dr. Crandall explains, Bell Atlantic and the other operating companies are facing new local competition and would have no incentive to discriminate among various carriers’ long distance

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<sup>17</sup> ***Price Cap Performance Review for Local Exchange Carriers, First Report and Order***, 10 FCC Red 8961, 8973 (1995).

<sup>18</sup> ***Id.***

<sup>19</sup> ***Id.***

<sup>20</sup> Crandall Affidavit, ¶ 9.

<sup>21</sup> ***Id.***, ¶ 9.

calls that terminate in-region.<sup>22</sup> The actions required to implement such discrimination are both strange and implausible. In order to make such discrimination profitable, Bell Atlantic would have to identify that portion of its access service that originates in areas where it competes for long distance customers. It would have to isolate and sabotage its own access services for only calls from those areas that are carried by competitors. And it would have to do so at such a level that customers would reject their long distance carrier, but at the same time the sabotage would have to be undetectable to the Commission or the incumbent carrier. Even the most avid conspiracy theorist would reject such a bizarre scenario.

Further, the history of the participation by Bell Atlantic and the other Bell companies in a variety of competitive markets proves that they have not impeded competitors by discriminating against other connecting services. Competition has flourished in the cellular market and companies affiliated with the incumbent LEC have not hampered competition.<sup>23</sup> Despite dire warnings, the voice messaging market has also flourished with the addition of Bell Atlantic and other telephone companies as competitors.<sup>24</sup> Similarly, LECs are only a small part of the thriving CPE market.<sup>25</sup> Bell Atlantic competes in-region for interLATA customers in the corridor areas without a separate subsidiary, yet the large long distance carriers dominate that

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<sup>22</sup> *Id.*, ¶¶ 10-12.

<sup>23</sup> *Id.*, ¶ 12.

<sup>24</sup> The three largest independent voice mail providers have experienced a four-fold increase in revenues between 1990 and 1994. Crandall Affidavit, ¶ 13.

<sup>25</sup> After seven years in the market, Bell companies have less than 50% of the CPE market. *Id.*

competition.<sup>26</sup> This solid track record of non-discrimination should quiet any theoretical concerns of discrimination here.

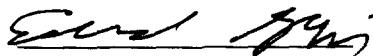
Moreover, even if there were a legitimate concern, it is already addressed through continued regulation of the local LECs' services. A separate subsidiary requirement does nothing to add to those protections.

### **Conclusion**

For the foregoing reasons, the Commission should authorize Bell Atlantic and other Bell operating companies to be nondominant providers of out-of-region interLATA services without subjecting them to a separate subsidiary requirement.

Respectfully submitted,

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<sup>26</sup> Crandall Affidavit, ¶ 5.

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**Affidavit of Robert W. Crandall<sup>1</sup>**

1. I am a Senior Fellow in Economic Studies at the Brookings Institution, a position that I have held since 1978. Prior to that I served on the Council on Wage and Price Stability as Deputy Director and Acting Director. I have held faculty positions in economics at M.I.T., The University of Maryland, and George Washington University and have taught in Stanford University's Washington Program. I served as an advisor to FCC Commissioner Glen O. Robinson and have been a consultant to the Commission on several occasions. I have written widely on communications issues over the past 25 years. My most recent books in this area are After the Breakup: The U.S. Telecommunications Sector in a More Competitive Era (Brookings, 1991); Cheap Talk: The Promise of Regulatory Reform in North America (with Leonard Waverman, Brookings, 1996; and Cable Television: Regulation or Competition? (with Harold Furchtgott-Roth, Brookings, forthcoming) A copy of my curriculum vitae is attached.

2. I have been asked by Bell Atlantic to provide an analysis of certain issues raised by the

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<sup>1</sup> The views expressed herein are those of the author and do not necessarily represent those of the Brookings Institution, its Trustees, or other staff members.

Commission's Notice of Proposed Rulemaking in CC Docket 96-21. This proceeding has been launched to establish rules for the Regional Bell Operating Companies' entry into out-of-region interstate interexchange services pursuant to the Telecommunications Act of 1996. The Commission has indicated that it wishes to permit the "rapid entry" of the BOCs into these out-of-region markets,<sup>2</sup> a commendable objective that could be achieved rather easily were some of the Commission's proposals modified slightly.

### **Summary**

3. The Commission has correctly decided that the BOCs are unlikely to possess market power in these out-of-region interexchange markets. As a result, its tentative conclusion to declare the BOCs "nondominant" in these markets is surely the correct one. However, its proposal to subject the BOCs to a separate subsidiary requirement in these markets appears to be based on the Commission's historic concerns about problems that are simply irrelevant to this proceeding. This proposed separate-subsidary requirement should therefore be dropped.

### **Nondominance**

4. The Commission has correctly concluded that the BOCs are not likely to have market power in out-of-region interexchange markets when they commence this service.<sup>3</sup> Indeed, the

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<sup>2</sup>Notice of Proposed Rulemaking at 7.

<sup>3</sup>Notice at 8.

Commission has recently decided that even AT&T is nondominant in the provision of domestic interexchange services. All other interexchange carriers, including MCI and Sprint, are also nondominant.

5. Given the considerable excess capacity that now exists among interexchange carriers, AT&T's nearly 60 percent share of all interLATA switched minutes<sup>4</sup> and its 55 percent share of revenues,<sup>5</sup> the relative sizes of Sprint, MCI, and LDDS/Worldcom, and the number of established smaller participants in interLATA markets, the BOCs will face formidable competition as they begin to offer interexchange services in out-of-region markets. The existing interexchange carriers have considerable name recognition, substantial technical operating expertise, and enormous excess capacity.<sup>6</sup> The BOCs have little name recognition in these out-of-region markets, zero market share, and no clearly identifiable other advantage in competing with the well-established interexchange carriers. Therefore, if all existing interexchange carriers are nondominant, surely the BOCs are also.

### **Separate Subsidiaries**

6. In developing a policy for BOC entry into out-of-region interstate long-distance services, the Commission relies heavily on its earlier Fifth Report and Order in CC Docket 79-

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<sup>4</sup>FCC, Statistics of Communications Common Carriers, 1994/95 edition, p. 347.

<sup>5</sup> Id., p.7.

<sup>6</sup> Motion of AT&T to be Reclassified as a Non-Dominant Carrier, Order, CC 95-427 (rel. October 23, 1995), at 57-60.

6. In developing a policy for BOC entry into out-of-region interstate long-distance services, the Commission relies heavily on its earlier Fifth Report and Order in CC Docket 79-252, in which it established rules for interstate interexchange service provided by affiliates of independent LECs. In order to protect against any possible risk of "cost-shifting and anticompetitive conduct" from these independent LEC-owned long-distance carriers, the Commission required in the Fifth Report and Order that such carriers would be deemed nondominant as long as they were separated from their parents' local exchange facilities.<sup>7</sup> The Commission now proposes to extend this requirement to out-of-region interexchange services of the BOCs based on its conclusions in the Fifth Report and Order.

7. The Commission's Fifth Report and Order was published twelve years ago before price caps were put in place for the LECs' interstate activities and before the Commission's equal-access rules had been tested over time. In that proceeding, the Commission addressed the problems that might develop when a regulated independent LEC offers long-distance services in geographical regions that include the LEC's local-exchange facilities. The potential problems identified there have since been adequately addressed by other Commission rules for in-region services. In this case, however, the Commission is addressing prospective BOC **out-of-region** long-distance service, where any potential concerns are far more attenuated. Given the geographical separation of the BOCs' local-exchange and out-of-region interstate long-distance facilities, it is difficult to see how these companies could commingle their cost accounts of these

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<sup>7</sup>Fifth Report and Order as cited in the current Notice at 10.



to shift costs from one of these accounts to another.

8. Moreover, in the past five years, the LECs have been subject to price-cap regulation in the federal jurisdiction and in many state jurisdictions. Price caps directly regulate the prices charged for various services rather than a carrier's rate of return. With price caps, cost-shifting is no longer a possibility since prices cannot be affected by any manipulation of cost accounts. Under price caps, prices are permitted to increase at an annual rate that depends on the rate of inflation and the productivity offset set by the Commission. Prices no longer depend on increases in the carriers' costs, nor on the allocation of those costs among different services. Therefore, carriers have no incentives to engage in the manipulation of cost accounts.

9. In addition, it would simply be unprofitable for the BOCs to engage in anticompetitive conduct in out-of-region long-distance services in which their rates (and AT&T's) will be subject to abridged rate reviews. In an essentially unregulated market, would a BOC be likely to engage in predation against AT&T, MCI, and Sprint? Given the enormous excess capacity in this sector that translates into very low marginal costs and the large, well-financed companies competing in it, the BOCs would find that their "predatory" prices would simply be matched by their rivals for as long as the BOCs maintained them. These rivals would not and could not be driven from the market by the new BOC out-of-region operations, no matter how aggressively the BOCs cut rates to obtain customers. The likelihood that a predatory strategy would be successful, even if it were unchecked by the Commission or the Justice Department, is essentially nil. Given this fact, it would be irrational for a BOC to even attempt such a strategy.

10. The only remote justification for fearing anticompetitive conduct from the BOCs as they move into out-of-region long-distance service is that they might use their leverage in connecting calls that are terminated in their own regions. Since some of the out-of-region long-distance service will inevitably involve calls to their own regions, the Commission asks whether the BOCs might use their local switching facilities to discriminate against calls handled by their out-of-region competitors.<sup>8</sup> There are at least two reasons why they will not.

11. First, it is far from clear that the BOCs can discriminate among calls that originate with their interexchange competitors but from markets in which the BOC does not operate. But a BOC surely would not want to degrade all of, say, AT&T's connections just to exert leverage over AT&T in the out-of-region services in which the BOC and AT&T compete. Such degradation would have to be sufficiently severe that customers would notice it. In addition, the BOC would somehow have to prevent customers from recognizing that the quality degradation is due to the BOC connection. Surely, AT&T or any other interexchange carrier would have the ability to recognize this degradation and to seek other sources of local access, thereby reducing the BOC's share of access services in an increasingly competitive local market. Finally, if the degradation were so severe as to be noticed by the customer and the interexchange carrier, both would surely complain to the Commission and to state regulatory authorities. It is thus very unlikely that the BOCs, facing the prospects of new local competition, would want to degrade the quality of a major service offered to interexchange carriers and to incur the dissatisfaction of their local subscriber base. And it is simply inconceivable that they could do so without detection

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<sup>8</sup>Notice at 12.

and the penalties that would result.

12. Second, there is now sufficient evidence that the BOCs do not use their local exchange position to impede competition by discriminating against their rivals in other telecommunications markets. For example, in the cellular market, each BOC faces a competitor who does not own local-exchange facilities and who must, therefore, terminate a large share of its cellular traffic on the BOC's wireline local-exchange network. If the BOCs discriminated against their cellular rivals in terminating their calls, the BOCs would surely be able to obtain the vast majority of the business in cellular markets in which they also operate as local-exchange carriers. Yet, the BOCs' cellular operations do not obtain a significantly larger share than their competitors in most cellular markets. Indeed, the available data suggest that the BOCs' in-region cellular market shares fluctuate around the 50 percent level, change over time, but do not tend to be systematically above 50 percent.<sup>9</sup>

13. Other examples of the BOCs' not impeding competition in markets requiring the use of their local networks may be found in interstate interLATA services in the corridors that Bell Atlantic has been allowed to serve, in voice messaging services, and even in the sale of customer premises equipment (CPE). In the interstate interLATA corridors, Bell Atlantic has less than 10 percent of the customers and less than 20 percent of revenues.<sup>10</sup> In the market for voice-

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<sup>9</sup>See Herschel Shosteck, The Cellular Market Quarterly Review, March 1994, Figure 3.2.

<sup>10</sup> Petition to Regulate Bell Atlantic as a Nondominant Provider of Interstate InterLATA Corridor Service, DA 95-1666, Petition at 7 (filed July 7, 1995).

of their local networks may be found in interstate interLATA services in the corridors that Bell Atlantic has been allowed to serve, in voice messaging services, and even in the sale of customer premises equipment (CPE). In the interstate interLATA corridors, Bell Atlantic has less than 10 percent of the customers and less than 20 percent of revenues.<sup>10</sup> In the market for voice-messaging services, the independent national providers have continued to enjoy substantial revenue growth despite the entry of the BOCs in 1988. The three largest independents experienced a four-fold increase in revenues between 1990 and 1994.<sup>11</sup> Seven years after entering, the BOCs still have less than 50 percent of the market.<sup>12</sup> In the CPE market, the BOCs have only 15 percent of PBX sales and less than 9 percent of key/hybrid telephone sales.<sup>13</sup> Thus, in none of these markets have the BOCs used their position as local-exchange companies in an anticompetitive fashion.

14. For these reasons, it is very unlikely that the BOCs would attempt to discriminate against their interexchange competitors in originating or terminating their calls so as to enhance their competitive position in out-of-region long-distance service and inconceivable that they would succeed if they did attempt such a strategy. Thus, there is no need for the Commission to impose a separate-subsidary requirement on the BOCs' out-of-region. A separate subsidiary

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<sup>10</sup> Petition to Regulate Bell Atlantic as a Nondominant Provider of Interstate InterLATA Corridor Service, DA 95-1666, Petition at 7 (filed July 7, 1995).

<sup>11</sup> Probe Research, Voice Processing: The Service Providers, 1995, Table 3-3.

<sup>12</sup> Multimedia Telecommunications Association, 1996 Multimedia Telecommunications Market Review and Forecast, 1996, p. 124.

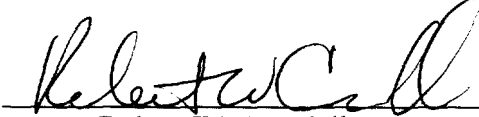
<sup>13</sup> Id., pp. 102 and 113.

provision forbidding joint ownership of transmission and switching facilities between a BOC's long-distance operations and its in-region local business, regardless of whether the long-distance service operates in or out of region. Such a requirement discourages the most efficient use of facilities, resulting in higher costs and, therefore, higher prices. Because there are other adequate safeguards already in place, such a prohibition would impose this burden needlessly.


### **Conclusion**

16. The Commission has wisely determined that the BOCs will be nondominant in out-of-region interstate long-distance services. Given this sensible conclusion, there is simply no need to impose the requirement of separate subsidiaries for such operations. There is no anticompetitive threat to be avoided by BOC entry into these markets, a fact that the Congress recognized when it allowed the BOCs to enter these markets immediately without any competitive checklist.

Further than this, affiant sayeth not.

  
Robert W. Crandall

Subscribed and sworn before me on this 13th day of March, 1996.

  
Notary Public

My commission expires:

on Commission Expires on Mar 31, 1998

## CURRICULUM VITAE

ROBERT W. CRANDALL

### CURRENT POSITION:

Senior Fellow, The Brookings Institution, 1978 - Present

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### PREVIOUS POSITIONS:

Adjunct Professor, School of Public Affairs, University of Maryland, 1987 - 1993

Deputy Director, Council on Wage and Price Stability, 1977 - 1978

Acting Director, Council on Wage and Price Stability, 1977

Adjunct Associate Professor of Economics, George Washington University, 1975 - 1977

Assistant Director, Council on Wage and Price Stability, 1975 - 1977

Associate Professor of Economics, M.I.T., 1972 - 1974

Assistant Professor of Economics, M.I.T., 1966 - 1972

Johnson Research Fellow, The Brookings Institution, 1965 - 1966

Instructor, Northwestern University, 1964 - 1965

Consultant to Environmental Protection Agency, Antitrust Division Federal Trade Commission, Treasury Department, various years

### EDUCATION:

Ph.D., Economics, Northwestern University, 1968

M.A., Economics, Northwestern University, 1965

A.B., Economics, University of Cincinnati, 1962

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